



## **KWADUKUZA MUNICIPALITY**

### **ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2006**

I am responsible for the preparation of these annual financial statements, which are set out on pages to in terms of section 126 (1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 12 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

W T BYRNES

Acting Municipal Manager

31 August  
2006

# KWADUKUZA MUNICIPALITY

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KWADUKUZA MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2006

	Notes	2006	2005
		R	R
<b>CAPITAL EMPLOYED</b>			
<b>Community wealth</b>			
Housing operating account	1	8,892,240	554,319
Capital replacement reserve		24,324,940	32,195,049
Capitalisation reserve		35,169,243	35,169,243
Government grant reserve		222,635,481	227,121,335
Donations and public contributions reserve		17,826,197	15,214,268
Revaluation reserve		206,773,291	206,773,291
Accumulated surplus / (deficit)	19	22,581,975	50,312,810
		<hr/>	<hr/>
		538,203,367	567,340,315
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Long term liabilities	2	79,234,294	67,392,404
Retirement benefits	35	21,761,933	-
Long service awards and retirement gifts	36	4,514,682	-
		<hr/>	<hr/>
<b>Current liabilities</b>			
Consumer deposits	3	9,765,587	15,738,821
Creditors	9	59,058,574	24,381,027
Unspent conditional grants and receipts	8	821,491	-
Current portion of long term liabilities	2	2,808,070	15,739,472
		<hr/>	<hr/>
		72,453,722	55,859,320
		<hr/>	<hr/>
<b>Total Capital and Liabilities</b>		716,167,998	690,592,039
		<hr/>	<hr/>
<b>EMPLOYMENT OF CAPITAL ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	37	490,943,858	488,469,600
Investment property	16	8,668,800	8,668,800
Investments	4	34,716,412	39,502,561
Long term receivables	5	9,337,424	9,322,946
		<hr/>	<hr/>
		543,666,494	545,963,907
		<hr/>	<hr/>
<b>Current assets</b>			
Inventory	6	12,889,537	1,563,142
Consumer receivables	7	79,186,261	69,242,104
Other receivables	7	2,933,909	33,002,832
Current portion of long term receivables	5	19,782,368	19,293,853
Investments - short term	4	21,154,981	643,637
Bank balances and cash	29/30	36,554,448	20,882,564
		<hr/>	<hr/>
		172,501,504	144,628,132
		<hr/>	<hr/>
<b>Total Assets</b>		716,167,998	690,592,039
		<hr/>	<hr/>

**KWADUKUZA MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE**

**FOR THE YEAR ENDED 30 JUNE 2006**

			Actual
	Notes	2006	2005
		R	R
<b>REVENUE</b>			
Property rates	11	80,995,525	70,207,364
Property rates - penalties imposed and collection charges		7,072,649	5,012,345
Service charges		140,376,819	130,652,534
Rental of facilities and equipment		702,529	1,113,325
Interest earned			
External investments		5,773,113	6,486,143
Outstanding debtors		4,871,229	4,140,400
Fines		4,296,212	3,536,111
Licences and permits		3,897,961	63,007
Government grants and subsidies		23,078,382	21,703,351
Other income		8,560,042	9,262,861
Public contributions and donations		-	-
Gains on disposal of property, plant and equipment		-	-
<b>Total Revenue</b>		<b>279,624,461</b>	<b>252,177,441</b>
<b>EXPENDITURE</b>			
Employee related costs	32	74,129,497	67,984,439
Remuneration of councillors	12	4,074,555	3,732,738
Bad debts		-	11,500,000
Collection costs		2,000,915	992,942
Depreciation		23,150,181	-
Repairs and maintenance		21,726,446	15,851,356
Interest paid		8,094,100	27,398,561
Bulk purchases	28	80,151,176	74,340,327
Contracted services		8,245,039	7,060,041
Retirement and long services benefits	35/36	26,276,615	
General expenses		49,129,795	41,598,761
Loss on disposal of property, plant and equipment		-	
Contributions		-	7,518,251
Less: Recharges		-20,341,242	-7,992,626
<b>Total Expenditure</b>		<b>276,637,077</b>	<b>249,984,790</b>
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>		<b>2,987,384</b>	<b>2,192,651</b>

Refer to Appendix E (1) for the comparison with the approved budget

**KWADUKUZA MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED 30 JUNE 2006**

	Housing operating account	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions reserve	Revaluation reserve	Accumulated surplus/ (deficit)	Total
	R	R	R	R	R	R	R	R
<b>30 June 2005</b>								
Balance at 01 July 2004							5,243,617	5,243,617
Implementation of GAMAP (Note 34)	1,441,184	32,195,048	35,169,243	226,222,217	15,214,268	250,110,456	893,268	561,245,684
Implementation of GAMAP (Note 34)						-43,337,165	43,337,165	-
Change in accounting policy								-
Restated balance	1,441,184	32,195,048	35,169,243	226,222,217	15,214,268	206,773,291	49,474,050	566,489,301
Net surplus (deficit) for the year							-48,105	-48,105
Transfer to Asset financing reserve								-
Property, plant and equipment purchased								-
Capital grants used to purchase property, plant and equipment								-
Donated/ contributed property, plant and equipment								-
Transfer to Housing operating account	-886,865						886,865	-
Asset disposals								-
Offsetting of depreciation								-
<b>Balance at 30 June 2005</b>	554,319	32,195,048	35,169,243	226,222,217	15,214,268	206,773,291	50,312,810	566,441,196
<b>30 June 2006</b>								
Implementation of GAMAP								-
Correction of error								-
Changes in accounting policy								-
Restated balance	554,319	32,195,048	35,169,243	226,222,217	15,214,268	206,773,291	50,312,810	566,441,196
Surplus (deficit) for the year							2,987,384	2,987,384
Adjustments prior year							-49,429,319	-49,429,319
Transfer to Capital Replacement Reserve								-
Property, plant and equipment purchased		-7,870,108		-14,462,451			22,332,559	-
Capital grants used to purchase property, plant and equipment	2,504,941			13,087,236	2,611,929			-
Donated/ contributed property, plant and equipment								18,204,106
Transfer to Housing operating account	5,832,980						-5,832,980	-
Asset disposals								-
Offsetting of depreciation	-			-2,211,521			2,211,521	-
<b>Balance at 30 June 2006</b>	8,892,240	24,324,940	35,169,243	222,635,481	17,826,197	206,773,291	22,581,975	538,203,367

# KWADUKUZA MUNICIPALITY

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

		2006	2005
	Notes	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other			
Cash paid to suppliers and employees			
<b>Cash generated from (utilised in ) operations</b>	20	-35,400,823	26,148,738
Interest received		5,773,113	4,601,794
Interest paid		(8,094,100)	(12,292,039)
<b>Net Cash from (utilised in ) operating activities</b>		(37,721,810)	18,458,493
<b>CASH FLOWS FROM (UTILISED IN) INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		-36,512,939	(32,371,793)
Proceeds on disposal of property, plant and equipment		10,888,500	9,536,447
Increase in investment properties		-	-
(Increases) decreases in non-current receivables	5	-502,993	-
(Increases) decreases in non-current investments	24	4,786,149	(4,935,609)
<b>CASH (UTILISED IN) GENERATED FROM INVESTING ACTIVITIES</b>		(59,063,093)	(9,312,462)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase (decrease) in external long term loans	22	11,841,890	(6,962,473)
Increase / (decrease) in short - term loans	23	-12,931,402	1,099,999
Increase in liability for retirement and long service gifts	35/36	26,276,615	-
Increase / (decrease) in contributions from public/state		18,204,106	27,665,219
<b>Net cash generated from / (utilised in ) financing activities</b>		43,391,209	21,802,745
<b>NET INCREASE (DECREASE) IN CASH EQUIVALENTS</b>		-15,671,884	12,490,283
Cash and cash equivalents			
At the beginning of the year		20,882,564	8,392,281
At the end of the year		36,554,448	20,882,564
		15,671,884	-12,490,283

## **KWADUKUZA MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 30 JUNE 2006**

##### **1 BASIS OF PRESENTATION**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of :

General Notice 991 of 2005 issued in Government Gazette no. 28095 of 15 December 2005; and  
General Notice 992 of 2005 issued in Government Gazette no. 28095 of 07 December 2005.

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Assets

Accounting policies for material transactions, events or conditions not covered by the above mentioned GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

##### **2 PRESENTATION CURRENCY**

The annual financial statements are presented in South African Rand

##### **3 GOING CONCERN ASSUMPTION**

The annual financial statements are prepared on a going concern basis

##### **4 HOUSING OPERATING ACCOUNT**

The Housing Operating Account was established in terms of the Housing Act, 1997 (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Operating Account. Housing selling schemes, both complete and in progress at 01 April 1998, were also transferred to the Housing Operating Account. In terms of the said Act, all proceeds from housing developments, including rental income and sales of houses, must be paid into the Housing Operating Account. Monies standing to the credit of this account can only be used to finance housing developments within the municipal area subject to the approval of the Provincial Member of the Executive Committee responsible for housing.

## **KWADUKUZA MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 30 JUNE 2006**

#### **5 RESERVES**

##### **5.1 Capital Replacement Reserve (C R R)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the C R R. A corresponding amount is transferred to a designated C R R bank or investment account. The cash in the designated C R R bank account can only be utilised to finance items of property, plant and equipment. The C R R is reduced and the accumulated surplus / (deficit) is credited by a corresponding amount when the amounts in the C R R are utilised.

The amount transferred to the C R R is based on the municipality's need to finance future capital projects which have been identified in the Integrated Development Plan.

##### **5.2 Capitalisation Reserve**

On the implementation of GAMAP/GRAP, the balances on certain funds, created in terms of the erstwhile Local Authorities Ordinance, 1974 (No. 25 of 1974) that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus / (deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus / (deficit).

The balance on the Capitalisation Reserve is equal to the carrying value of the items of property, plant and equipment financed from the former legislated funds.

When items of property, plant and equipment are depreciated, an equivalent amount is transferred from the Capitalisation Reserve to the accumulated surplus / (deficit).

When items of property, plant and equipment are disposed of, the balances in the Capitalisation Reserve relating to such items are transferred to the accumulated surplus / (deficit).

##### **5.3 Government Grant Reserve**

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus / (deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus / (deficit).

The purpose of this policy is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus / (deficit).

When items of property, plant and equipment financed from government grants are disposed of, the balances in the Government Grant Reserve relating to such items are transferred to the accumulated surplus / (deficit).



## **KWADUKUZA MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 30 JUNE 2006**

##### **5.4 Donations and Public Contributions Reserve**

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus / (deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus / (deficit).

The purpose of this policy is to promote consumer equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful lives of items of property, plant and equipment financed from donations and public contributions.

When items of property, plant and equipment financed from donations and public contributions are disposed of, the balances in the Donations and Public Contributions Reserve relating to such items are transferred to the accumulated surplus / (deficit).

##### **5.5 Revaluation Reserve**

Unrealised surpluses arising from the revaluations of land and buildings are credited to a Non-Distributable Reserve. Revaluation surpluses are realised as revalued buildings are depreciated, by means of transfers from the revaluation reserve to the accumulated surplus / (deficit).

When revalued land and buildings are disposed of, the net revaluation surpluses in the Revaluation Reserve relating to such items are transferred to the accumulated surplus / (deficit), while gains and losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

## **6 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is stated in the annual financial statements at cost less accumulated depreciation, except for land and buildings, which are revalued as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment comprises purchase price, import duties, non-refundable purchase taxes and directly attributable costs of bringing the asset to working condition for its intended use, such as site preparation, initial delivery, handling, installation and professional fees. Where items of property, plant and equipment have been impaired, the carrying values are adjusted by the impairment losses. These losses are recognised as expenses in the period that the impairments are identified except where an impairment reverses a previous revaluation.

Where impaired land and buildings are revalued, the increase in value of land and buildings is recognised as revenue to the extent that it reverses the impairment loss which was previously recognised as an expense.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item cannot be measured at its fair value, its cost will be measured at the carrying amount of the asset given up.

## KWADUKUZA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2006

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

The costs/revaluations of property, plant and equipment are depreciated using the straight line method over the period of the estimated useful lives of the assets. Depreciation on new acquisitions is charged to the Statement of Financial Performance in the financial year that economic benefits accrue to Council.

The annual depreciation rates are based on the following estimated useful lives of the assets:

	Years		Years
<b>Infrastructure</b>		<b>Other</b>	
Roads and paving	30	Buildings	30
Pedestrian malls	30	Specialist vehicles	10
Electricity	20 - 30	Other vehicles	5
Housing	30	Office equipment	3
		Furniture and fittings	7 - 10
<b>Community</b>		Watercraft	15
		Bins and containers	5
Buildings	30	Specialised plant and equipment	10 - 15
Recreational facilities	20 - 30	Other items of plant and equipment	2 - 5
Security	5	Landfill sites	15

The estimated useful lives are periodically reviewed in order to adjust them if they have changed.

Items of Property, Plant and Equipment which are acquired at no cost or for a nominal cost is recognised at their fair values.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is immediately written down to its recoverable amount and the impairment loss is charged to the Statement of Financial Performance in the period that they are identified.

In terms of GAMAP 17 the Council has used the transitional provisions to recognise items of Property, Plant and Equipment, which were not previously recognised, at their fair values.

#### 7 REVALUATION OF LAND AND BUILDINGS

Land and buildings are stated in the annual financial statements at revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation of buildings.

#### 8 INVESTMENT PROPERTY

Investment property, which is property held to earn rental revenue or for capital appreciation, is stated in the annual financial statements at municipal valuation less accumulated depreciation and accumulated impairment losses. Depreciation is determined on the cost of each building using the straight line method over the period of the estimated useful life of the property which is 50 years.

## **KWADUKUZA MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 30 JUNE 2006**

#### **9 INVESTMENTS**

##### **9.1 Financial instruments**

Financial instruments, which include unlisted, reciprocal municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks are stated in the annual financial statements at the lower of cost or fair value. No impairments are required as the cost values equate to their cash values.

Where investments have been impaired, the carrying values are adjusted by the impairment losses, which are recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net proceeds on disposal and the carrying amount is charged or credited to the Statement of Financial Performance.

##### **9.2 Zero coupon investments**

Zero coupon investments are stated in the annual financial statements at original cost plus accrued earnings thereon. At the date of the financial year end of the Municipality, certificates of balance are obtained from the respective financial institutions. The difference between the balances at the date of the balance sheet and the previous financial year end represent the earnings for the accounting period and are credited to the Statement of Financial Performance. No impairments are required as the investments have guarantees in loan agreements with loan creditors that they will liquidate the long term loans that they are ceded against when the loans and investments mature.

#### **10 INVENTORIES**

Inventories are comprised of consumable stores, raw materials and finished goods and are stated in the annual financial statements at the lower of average cost, determined on the first in first out method first out method and net realisable value. Cost includes deductions for discounts and rebates.

Redundant and slow moving inventories are identified and sold by public auction and any gain or loss on disposal is recognised in the Statement of Financial Performance.

Unsold properties are stated in the annual financial statements at the lower of cost, determined on the average cost method and net realisable value. Direct costs are accumulated for each separately identifiable development. Cost also includes a proportion of overhead costs.

#### **11 ACCOUNTS RECEIVABLE**

Accounts receivable are stated in the annual financial statements at the value of billings to consumers/ratepayers, less deductions for discounts given or rebates granted less a provision for doubtful accounts.

Provision for doubtful accounts is made, based on a review of all outstanding amounts at the financial year end. Contributions to the provision are calculated on a specific debt basis plus 10 per cent of all debts older than 120 Days but excluding rates, rates penalties and rates collection charges.

Bad debts are written off in the period that they are identified. Amounts that are receivable within one year are classified as current assets.

#### **12 ACCOUNTS PAYABLE**

Accounts payable are stated in the annual financial statements at the amounts due to trade and other creditors for goods or services received. The liabilities are generally settled within a period of 30 Days, accordingly any impairments, if any, are considered to be immaterial.

## **KWADUKUZA MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 30 JUNE 2006**

#### **13 REVENUE RECOGNITION**

##### **13.1 Revenue from Exchange transactions**

Service charges for Electricity are based on consumption by consumers as is recorded on each consumers' meter. Meters are read each month and the revenue is recognised in the period that invoices are raised. Provisional estimates of consumption are made in periods where meter readings have not been able to be carried out. The revenue from these provisional readings is also recognised as revenue when invoiced. Adjustments to provisional estimates and recognition of the amended revenue arising there from are made in the invoicing period in which meters are read. Revenue from the sale of electricity prepaid meter cards is recognised in the period in which cash is received.

Service charges for refuse removal are raised and recognised on a monthly basis in arrears and are based on the application of the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month

Interest and rentals are recognised on a time proportion basis

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service has been rendered and the fee has been charged or licences and permits have been issued.

Income from agency services is recognised on a monthly basis once the income collected for agents has been quantified and once the terms of the agency agreement have been complied with.

Revenue from the sale of goods is recognised when the risk passes to the consumer.

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items are brought into use. A liability is raised when a public contribution has been received but all the conditions have not been met.

##### **13.2 Revenue from Non-exchange transactions**

Revenue from assessment rates is recognised when the legal entitlement arises. Collection charges are recognised when such amounts have been raised and are legally enforceable. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Revenue from the collection of spot fines and summonses is recognised when payment is received.

Donations are recognised when cash is received or when property, plant and equipment is brought into use.

Contributions of property, plant and equipment are recognised when the items are acquired.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Local Government : Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible Councillors or officials is virtually certain.

#### **14 CONDITIONAL GRANTS AND RECEIPTS**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised to the extent that the criteria, conditions or obligations have not been met.

## **KWADUKUZA MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 30 JUNE 2006**

**15 PROVISIONS**

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at the reporting date and adjusted to reflect the current best estimate.

**16 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

Cash and cash equivalents in the cash flow statement comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

Bank overdrafts are recorded at the current value of the utilisation of approved facilities from the Municipality's bankers. Finance charges on bank overdrafts are expensed as incurred.

**17 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure represents expenditure which has been incurred but not budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Local Government : Municipal Finance Management Act, 2003 (Act No. 56 of 2003). Unauthorised expenditure is accounted for in the Statement of Financial Performance as an expense and as revenue where it is subsequently recovered.

**18 IRREGULAR EXPENDITURE**

Irregular expenditure excludes unauthorised expenditure and represents expenditure incurred that is contrary to the provisions of the Local Government : Municipal Finance Management Act, 2003 (Act No.56 of 2003) the Municipal Systems Act, 2000 (Act No. 32 of 2000), the Public Office Bearers Act, 1998 (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure is accounted for in the Statement of Financial Performance as an expense and as revenue when it is subsequently recovered.

**19 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure represents expenditure that was made in vain and would have been avoided if reasonable care had been exercised. Fruitless and wasteful expenditure is accounted for in the Statement of Financial Performance as an expense and as revenue where it is subsequently recovered.

**20 RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the three defined benefit funds it administers. Contributions are charged as an expense in the Statement of Financial Performance in the year that they become payable. The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the Contributions which are charged as an expense in the Statement of Financial Performance in the year that they become payable.

## KWADUKUZA MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2006

##### 21 **BORROWING COSTS**

Borrowing costs are recognised in the Statement of Financial Performance in the year in which they become payable.

##### 22 **DEPOSITS**

Deposits received from consumers are based on the estimated monthly consumption and are calculated to cover approximately two and one half to four months consumption, taking into consideration each consumer's profile. In the event of a disconnection of service for non payment, the value of the deposit is reviewed and adjusted in terms of the Council's credit control policy. No interest is paid on deposits held.

##### 23 **OPERATING LEASES**

Payments made on operating lease agreements are expensed and charged to the Statement of Financial Performance in the period in which such payments are due. These agreements do not transfer risk and rewards associated with ownership of an asset to the Municipality.

##### 24 **INTANGIBLE ASSETS**

Intangible assets comprise of rights which are registered as servitudes in the Registrar of Deeds office against fixed property owned by third parties. The rights are valued at original cost and are not depreciated as they have an indefinite useful life.

##### 25 **FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include investments, consumer and other receivables, cash and cash equivalents, trade and other payables, interest bearing borrowings, long term debtors. Financial instruments are initially measured at cost. The subsequent measurement of financial instruments is dealt with below:

###### 25.1 **Investments**

Investments are recognised as set out in policy 9 above.

###### 25.2 **Consumer and other receivables**

Consumer and other receivables are recognised as set out in note 11 above. An impairment or bad debt loss is recognised when it is probable that the Municipality will not be able to collect all amounts due (principal and interest) according to the contractual terms of the accounts receivable. The assessment of objective indicators of impairment for accounts receivable is carried out at each balance sheet date.

###### 25.3 **Cash and cash equivalents**

Cash and cash equivalents are recognised as set out in policy 16 above.

###### 25.4 **Financial liabilities**

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discounts or premiums on settlement. Gains and losses are recognised in net income or loss when liabilities are impaired as well as through the amortisation process.

##### 26 **PRIOR YEAR COMPARATIVES**

Prior period comparatives are reclassified when the presentation or classification of items in the annual financial statements is amended.

**KWADUKUZA MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2006**

**1. HOUSING OPERATING ACCOUNT**

Government Grant Reserve ( Principally arising from loans extinguished in 1998)  
Accumulated surplus

<b>2006</b>	<b>2005</b>
<b>R</b>	<b>R</b>
98,555,713	92,759,966
8,892,240	554,319
<b>107,447,953</b>	<b>93,314,285</b>
<b>59,086,296</b>	<b>66,345,639</b>
10,888,500	
28,580,917	26,414,327
8,892,240	554,319
<b>107,447,953</b>	<b>93,314,285</b>

Fixed assets  
Housing inventory  
Debtors  
Investments - External

**2. LONG TERM LIABILITIES**

Local registered stock loans  
Long term Loans  
Annuity loans

37,106,000	38,406,000
34,880,380	32,093,451
10,055,984	12,632,425
<b>82,042,364</b>	<b>83,131,876</b>
-2,808,070	-15,739,472
<b>79,234,294</b>	<b>67,392,404</b>

**Total External loans**

LESS : Current portion transferred to current liabilities

(Refer to appendix A for more detail)

**Local registered stock**

Bear interest at rates between 7% and 17% per annum and are repayable over periods between one and ten years

**Annuity loans**

Bear interest at rates between 8.5% and 17.8% per annum, are being redeemed in monthly instalments, including interest, over varying periods until 2009

**Bank loans**

Bear interest at Prime Less 1%

**Security - investments**

Certain long term liabilities are secured by zero coupon investments which are guaranteed to earn sufficient investment revenue over the period of the loans which will redeem them at maturity.

**Fair value impairments**

Long term loans are recorded at the actual liability to loan creditors. No impairment, if any has been recognised as zero coupon investments are guaranteed to redeem them at maturity. This is in accordance with signed loan agreements with the loan creditors.

**3. CONSUMER DEPOSITS: SERVICES**

Electricity

<b>9,765,587</b>	<b>15,738,821</b>
<b>1,972,349</b>	<b>1,537,219</b>

Guarantees held in lieu of electricity deposits

**4. INVESTMENTS**

**Unlisted**

Shares in Co-operative  
Long-term deposits  
uMalalazi Municipality - Stock loans  
Financial instruments  
Zero coupon deposits with financial institutions  
Fixed deposits with Institution in curatorship

-	500
500,000	500,000
33,955,555	38,132,536
260,857	869,525
<b>34,716,412</b>	<b>39,502,561</b>
217,387	203,637
440,000	440,000
20,497,594	-
<b>55,871,393</b>	<b>40,146,198</b>

Short term investments

Collateral security fixed deposits  
uMalalazi Municipality - Stock loans  
Notice deposits

**Total investments**

Council's valuation of unlisted investments

Average rate of return on investments

The investments in curatorship have been written down to its estimated impaired value as indicated by the curator

The zero coupons have guaranteed maturity values and therefore no provision for impairments are required.

Investments pledged as security for loans advanced amount to

Investments pledged as collateral security for loans advanced to staff amount to

55,871,393	40,146,198
14.00%	10.00%
33,955,555	33,658,330
217,387	414,352

**KWADUKUZA MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2006**

**5. LONG TERM RECEIVABLES**

	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
Electricity Connection loans	403,333	2,009,186
Motor vehicle loans	135,542	193,286
Housing selling scheme loans	28,580,917	26,414,327
	<b>29,119,792</b>	<b>28,616,799</b>
LESS : Current portion of long-term receivables transferred to current assets		
Electricity Connection loans	-79,874	-2,009,186
Housing loans	-19,702,494	-17,284,667
	<b>-19,782,368</b>	<b>-19,293,853</b>
	<b>9,337,424</b>	<b>9,322,946</b>

**Motor vehicle loans**

These loans were granted to members of staff who are no longer in the service of the Council and have been handed over for collection

**Housing selling scheme loans**

Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Housing's programme. The loans are repayable over terms ranging from 5 to 30 years at interest rates varying between 11.25% and 13.5%

**6. INVENTORY**

Inventory represents:		
Consumable stores	87,018	108,476
Mechanical spares	33,202	33,410
Electrical maintenance spares	1,782,617	1,345,692
Fuel	98,200	75,564
	<b>2,001,037</b>	<b>1,563,142</b>
Land and buildings	10,888,500	-
	<b>12,889,537</b>	<b>1,563,142</b>

No impairments of the values of inventory have been written off as management considers that all stores are useable and any losses on ultimate realisation are immaterial. Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority

**7. RECEIVABLES**

Consumer receivables	79,186,261	69,242,104
Other sundry receivables	61,910,881	58,739,297
	<b>141,097,142</b>	<b>127,981,401</b>
Less: Provision for Bad Debts	-58,976,972	-25,736,465
	<b>82,120,170</b>	<b>102,244,936</b>

Management have considered the effects of any impairment in the values of outstandings and the value of the provision for bad debts. The provision is adequate to account for any material losses expected to arise from any adjustments that are required to be made to outstandings

**Consumer receivables**

Rates	27,751,896	25,214,521
Rates penalties and collection charges	12,250,356	8,256,214
Legal fees	744,354	697,160
Electricity	15,692,557	17,978,549
Interest services	2,332,041	2,182,770
Housing	75,950	69,943
Erf instalments	205	205
Refuse	9,086,055	5,632,186
Consumer deposits	326,807	97,104
Sundries	1,821,641	4,493,175
Value added taxation	4,687,144	4,620,277
Credit balances in consumers transferred to accounts payable	4,417,255	
	<b>79,186,261</b>	<b>69,242,104</b>
Amounts written off as bad debts	2,220,686	-
As a percentage of total operating revenue	0.79%	0.00%
Number of days outstanding	103	113



KWADUKUZA MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	R	R
<b>Age analysis</b>		
<b>Rates</b>		
Current ( 0 to 30 days)	66,375	129,298
31 to 60 days	1,171,562	394,426
61 to 90 days	343,379	299,959
91 to 120 days	635,872	270,623
121 days and over	25,534,708	24,120,215
	<b>27,751,896</b>	<b>25,214,521</b>
<b>Penalties and collection charges</b>		
Current ( 0 to 30 days)	789,630	608,761
31 to 60 days	527,716	327,158
61 to 90 days	478,505	661,709
91 to 120 days	473,493	1,232,581
121 days and over	9,981,012	5,426,005
	<b>12,250,356</b>	<b>8,256,214</b>
<b>Electricity</b>		
Current ( 0 to 30 days)	9,228,185	13,795,281
31 to 60 days	2,065,536	601,988
61 to 90 days	564,539	253,970
91 to 120 days	231,366	156,829
121 days and over	3,602,931	3,170,481
	<b>15,692,557</b>	<b>17,978,549</b>
<b>15.50 % Interest on services</b>		
Current ( 0 to 30 days)	115,621	25,036
31 to 60 days	135,844	40,975
61 to 90 days	18,975	21,986
91 to 120 days	18,740	33,069
121 days and over	2,042,861	2,061,704
	<b>2,332,041</b>	<b>2,182,770</b>
<b>Refuse</b>		
Current ( 0 to 30 days)	1,062,788	953,330
31 to 60 days	506,695	456,169
61 to 90 days	695,469	339,929
91 to 120 days	242,532	235,434
121 days and over	6,578,571	3,647,324
	<b>9,086,055</b>	<b>5,632,186</b>
<b>Sundries</b>		
Current ( 0 to 30 days)	-1,531,312	236,891
31 to 60 days	216,596	142,780
61 to 90 days	13,273	438,482
91 to 120 days	76,057	1,496,345
121 days and over	3,047,027	2,178,677
	<b>1,821,641</b>	<b>4,493,175</b>
<b>Value added taxation</b>		
Current ( 0 to 30 days)	1,462,518	1,653,968
31 to 60 days	501,563	658,419
61 to 90 days	208,600	132,689
91 to 120 days	77,374	81,604
121 days and over	2,437,089	2,093,597
	<b>4,687,144</b>	<b>4,620,277</b>
<b>Estates</b>		
121 days and over	<b>205</b>	<b>205</b>

KWADUKUZA MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
<b>Consumer deposits</b>		
Current ( 0 to 30 days)	60,900	44,831
31 to 60 days	36,070	15,180
61 to 90 days	201,500	2,929
91 to 120 days	5,661	13,500
121 days and over	22,676	20,664
	<b>326,807</b>	<b>97,104</b>
<b>Legal fees</b>		
Current ( 0 to 30 days)	35,157	157,382
31 to 60 days	11,815	79,485
61 to 90 days	6,087	-
91 to 120 days	29,987	6,295
121 days and over	661,308	453,998
	<b>744,354</b>	<b>697,160</b>
<b>Housing</b>		
Current ( 0 to 30 days)	4,462	5,022
31 to 60 days	3,282	3,418
61 to 90 days	2,349	2,567
91 to 120 days	1,830	2,232
121 days and over	64,027	56,704
	<b>75,950</b>	<b>69,943</b>
<b>Provision for Bad Debts</b>		
Balance at beginning of year	25,736,465	4,824,367
Contributions made during the year	36,044,519	21,912,098
	61,780,984	26,736,465
Debts written off during the year	2,804,012	1,000,000
	<b>58,976,972</b>	<b>25,736,465</b>

8. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional Grants from other spheres of Government

MIG Grants	595,042	
Provincial LED Projects	471,791	
	123,251	

Other Conditional Receipts

Developers' Contributions – Electricity	226,449	
Public contributions	226,449	

Total Conditional Grants and Receipts

<b>821,491</b>	
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See Note 27 for the reconciliation of grants from other spheres of government.  
These amounts are invested in a ring fenced investment until utilised.

9. CREDITORS

Trade creditors	14,659,217	12,266,290
Deposits - other	1,758,535	3,211,072
Audit fees	-	1,000,000
Other sundry creditors	22,719,369	3,644,634
Staff leave	3,924,039	4,259,031
Payments received in advance	15,997,414	-
	<b>59,058,574</b>	<b>24,381,027</b>

10. VAT

VAT payable	-	-
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VAT is payable on the receipts basis and is only due to SARS when payments are received from debtors.

**KWADUKUZA MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2006**

**11. ASSESSMENT RATES**

	Valuation at 30/06/2006	Valuation at 30/06/2005	Actual income 30/06/2006	Actual income 30/06/2005
Commercial	198,294,686	157,771,769	14,854,495	11,291,725
Residential	1,194,867,881	1,147,723,283	62,395,853	55,751,733
Education and State	29,575,600	20,213,500	1,795,121	1,157,344
Municipal	14,784,750	16,784,750	1,096,397	1,201,285
Agriculture	35,661,930	36,830,700	479,373	452,204
Private open space	4,933,250	4,933,250	374,286	353,073
State				
	<b>1,478,118,097</b>	<b>1,384,257,252</b>	<b>80,995,525</b>	<b>70,207,364</b>
Non rateable	<b>40,866,420</b>	<b>39,996,820</b>		

	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
The last general valuation came into effect on:		
KwaDukuza	01/01/1996	01/01/1996
Dolphin Coast	01/07/1995	01/07/1995
Nkwazi/Zinkwazi	24/01/1999	24/01/1999
and an application for an extension of time, dated 27 July 2000, was forwarded to the Director - Local Government, of the Department of Traditional and Local Government Affairs to postpone the next revaluation until the date of commencement of the Local Government Property Rates Act, 2004 (Act No. 6 of 2004)		
Rebates:		
Agriculture		
In terms of Schedule (ii)(a) of Proclamation 76/1996	100.00%	100.00%
In terms of Section 153 (5) © (dd) (ii) of Local Authorities Ordinance, 1974 (No. 25 of 1974)	50.00%	50.00%
Special Residential and Sectional Title on all improved land	30.00%	30.00%
Bed and Breakfast establishments with three and fewer bedrooms	20.00%	20.00%
Shortens Country Style Hotel	0.00%	20.00%
Umhlali Country Club - by agreement with Council		
Port Zimbali - excluded services rebate on all sold erven	40.56%	40.56%
Seaward Estates - excluded services rebate on all sold erven	21.40%	21.40%
Pensioners (qualifying on developed special rates) - an additional	25.00%	25.00%
Council owned Old Age Units - an additional	25.00%	25.00%
General commercial which is used for special residential purposes	10.00%	10.00%
Princes Grant	70.00%	79.75%
Industrial incentives		
All undeveloped serviced industrial sites where the industrial developer has provided the full range of Municipal services	100.00%	100.00%
Industrialists are granted incentive rebates on a phased reducing basis over five years		

**12. COUNCILLORS' REMUNERATION**

Executive Mayor's allowance	275,775	265,836
Executive Deputy Mayor's allowance	140,478	132,931
Speaker's allowance	276,809	265,836
Mayoral committee members	661,149	618,374
Councillors' allowances	2,274,610	2,043,667
Councillors' pension and medical aid contributions	445,734	406,095
The Mayor and Speaker are full time and have an office and secretarial support at the cost of the Council		
The Mayor has the use of a Council leased vehicle for official duties and has two permanent bodyguards	<b>4,074,555</b>	<b>3,732,739</b>

**13. AUDITORS' REMUNERATION**

Audit fees	<b>778,803</b>	<b>1,000,000</b>
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**14. INTEREST PAID**

Long term liabilities	8,094,100	12,292,039
Bank overdrafts		
Total interest on external borrowings	<b>8,094,100</b>	<b>12,292,039</b>

**15. PROPERTY, PLANT AND EQUIPMENT**

Land and buildings have been revalued to fair value during the year ended 30 June 2006 using values determined by the Council's independent valuator on the depreciated replacement value basis.

The revaluation surplus is reconciled as follows:

Balance at beginning of year	206,773,291	-
Surplus on revaluation		206,773,291
Balance at end of year	<b>206,773,291</b>	<b>206,773,291</b>

Refer to Appendix B for more detail on property, plant and equipment

**KWADUKUZA MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2006**

The municipality has taken advantage of the transitional arrangements set out in Gamap statement No. 17. The municipality is in the process of fine-tuning the asset register records and a formal physical verification will be carried out in 2006/07 and amendments made where applicable. At present, depreciation on infrastructure and community assets is based on an average useful life using historical costs recorded. In addition, no assessment has been carried out to determine whether or not there are any impairments of values but it is expected to be completed by 30 June 2007

See also Note 38

**16. INVESTMENT PROPERTY**

Certain properties classified as investment properties by the Municipality are valued at a municipal value of

2006	2005
R	R

8,668,800	8,668,800
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The fair value of these properties as valued by the Council's valuer at 30 June 2006 amounts to

21,680,000	0
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Rental income derived from these properties amount to

604,845	636,910
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**17. BANK, CASH AND OVERDRAFT BALANCES**

The Municipality has the following bank accounts:

**Current account (Primary Bank Account)**

First National Bank Limited, KwaDukuza Branch - Account No. 53730256310

Cash book balance at beginning of year	59,908,041	93,916,596
Cash book balance at end of year	2,292,179	59,908,041

Bank statement balance at beginning of year	4,007,319	1,195,031
Bank statement balance at end of year	8,656,375	4,007,319

**Six housing bank accounts**

Cash book balances at beginning of year	15,960,003
Cash book balances at end of year	21,440,347

Bank statement balances at beginning of year	16,292,444
Bank statement balances at end of year	24,534,637

**Two Electricity bank accounts**

Cash book balances at beginning of year	-
Cash book balances at end of year	13,461,910

Bank statement balances at beginning of year	-
Bank statement balances at end of year	13,461,910

**Grants bank account**

Cash book balances at beginning of year	18,888,820
Cash book balances at end of year	-694,535

Bank statement balances at beginning of year	20,250,505
Bank statement balances at end of year	75,562

**Fines bank account**

Cash book balances at beginning of year	-
Cash book balances at end of year	42,822

Bank statement balances at beginning of year	-
Bank statement balances at end of year	42,822

**18. SERVICE CHARGES**

Sale of electricity	126,843,554	116,359,059
Refuse removal	13,533,265	12,709,319

140,376,819	129,068,378
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**19. APPROPRIATIONS**

**Appropriation account**

Accumulated surplus (deficit) at the beginning of the year	50,312,810	5,243,617
Operating (deficit) surplus for the year	2,987,384	1,305,786

Appropriations for the year :

Prior year adjustments	-39,429,319	9,058,208
Financing of acquisitions ex reserves	16,499,579	-
Transfer to provision for bad debts	-10,000,000	-10,412,099
Depreciation recovered from Housing operating account	2,211,521	886,865

Transfer from Loans Redeemed and Other Capital Receipts on the implementation of GAMAP	-	44,230,433
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<b>Accumulated Surplus at end of Year</b>	<b>22,581,975</b>	<b>50,312,810</b>
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**KWADUKUZA MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
<b>20. CASH GENERATED BY OPERATIONS</b>		
(Deficit) surplus for the year (per note 19)	2,987,384	2,192,651
Adjustments for		
Previous year's operating transactions	-9,583,168	9,058,208
Depreciation	23,150,181	
Appropriations charged against income :	-36,044,519	8,307,939
Loan Redemption Fund	-	6,000,000
Provision for bad debts	-36,044,519	2,307,939
Capital charges :		
Interest paid :		
- on external funds	8,094,100	-
- to internal funds	-	-
Redemption :		
- of external loans	-	11,834,255
- of internal advances	-	3,985,295
Investment income (operating account)	-5,773,113	-
Non-operating income:		
Income credited to Reserves/provisions	-	-10,412,099
Non-operating expenditure:		
Expenditure charged against Housing Operating Account	-	-18,094,921
Expenditure - other	-	7,831,010
Expenditure charged against provision for leave/bad debts	-2,804,012	-2,315,384
	<b>-19,973,147</b>	<b>12,386,954</b>
<b>21. (INCREASE) / DECREASE IN WORKING CAPITAL</b>		
(Increase) / decrease in inventory	-11,326,395	87,713
(Increase) / decrease in debtors	-13,115,741	26,694,256
(Increase) / decrease in short term investments	-20,511,344	870,714
Increase / (decrease) in creditors	35,499,038	-21,695,862
Increase / (decrease) in provisions/reserves	-	-7,445
Increase/(decrease) in consumer deposits	-5,973,234	7,812,408
	<b>-15,427,676</b>	<b>13,761,784</b>
	-35,400,823	26,148,738
<b>22. INCREASE /(DECREASE) IN LONG TERM LOANS (EXTERNAL)</b>		
Loans received /(repaid)	<b>11,841,890</b>	<b>-6,962,473</b>
<b>23. INCREASE /(DECREASE) IN SHORT TERM LOANS (EXTERNAL)</b>		
Loans (repaid) / received	<b>-12,931,402</b>	<b>1,099,999</b>
<b>24. (INCREASE) / DECREASE IN EXTERNAL CASH INVESTMENTS</b>		
Investments realised/(Invested)	<b>4,786,149</b>	<b>-4,935,609</b>
<b>25. (INCREASE) / DECREASE IN CASH ON HAND</b>		
Cash balance at the beginning of the year	20,882,564	8,392,281
LESS : Cash balance at the end of the year	36,554,448	20,882,564
	<b>-15,671,884</b>	<b>-12,490,283</b>
<b>26. RETIREMENT BENEFITS</b>		
The Municipality's personnel are members of one of the three Natal Joint Municipal Pension Funds i.e. (Superannuation, Provident and Retirement). The valuator carries out a statutory valuation on a triennial basis and an interim valuation on an annual basis (the 2006 interim has been completed).		
<b>Superannuation</b>		
An interim actuarial valuation of the Fund was carried out for the period ending 31 March 2006. The actuarial value of total assets was more (less) than the actuarial value of liabilities for the service of members to that date and for pensioners by:		
made up as follows:	121,700,000	-219,500,000

**KWADUKUZA MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
<b>For service to 31 March 2006</b>		
for pensioners - surplus funding level 119.4% (2005: deficit funding level 100.5%)	210,000,000	5,200,000
for members - deficit funding level 95.0% (2005 : deficit funding level 85.8%)	-88,300,000	-224,700,000
attributable to salary increases being higher than expected of	49,000,000	212,000,000
The fund did not hold an Investment Reserve at 31 March 2006.		
<b>For service after 31 March 2006</b>		
The total contribution rate payable (excluding the surcharge) exceeded that required for future service by 1.4% (2005 : 1.0% ) of pensionable emoluments, or per year	49,000,000	6,500,000
<b>Conclusion</b>		
The funding level of the Fund improved from 85.8% to 95% (decreased from 97.0% to 85.8%) over the valuation period		
The actuary is satisfied that the self-reinsurance arrangement is appropriate for the Fund;		
the asset composition of the Fund is appropriate to the nature of the liabilities;		
the contributions being paid to the Fund are sufficient to meet the expected cost of future benefits;		
if his recommendation of an additional surcharge of	3%	3%
(Total 6%) of members' pensionable emoluments is retained (accepted) by the General Committee at the forthcoming Annual General Meeting, the deficit will be eliminated within 2 years.		
A recent study undertaken of the expected impact that A I D S will have on the Fund shows that although the Fund is fairly well protected in relation to other funds, A I D S is likely to result in an increase in the required rate of contribution of members' pensionable emoluments by 2010 of some	4%	4%
However, once the deficit in the Fund has been met the excess contributions will meet the increased cost resulting from A I D S for the foreseeable future. It is therefore not necessary at this stage to adjust either the benefits or the contributions.		
<b>Provident Fund</b>		
The salient features of the Statutory (Interim) Valuation Report on the fund as at 31 March 2006 were that the net market value of the Fund's assets were sufficient to fully cover the members' share account and to provide total reserves of	46,638,000	42,758,000
the total interim rate of bonus credited over the year to members was compound	46.40%	30.60%
a further bonus to all members at 30 September 2006 has been approved by the Committee of Management of	2.9%	5%
subsequent to the year end, a final bonus to all members at 30 September 2006 has been approved by the Committee of Management of	5.0%	
the actual cost of death benefits and expenses was less than (exceeded) the 3.75% of pensionable emoluments available to meet the same and it is recommended that death benefits be further reduced with effect from 01 July 2005 based on the pre-July 2004 level to	0%	60%
the Actuary is satisfied that the asset composition of the Fund is appropriate to the nature of the liabilities and the Fund was in a sound financial condition at 31 March 2006.		
<b>Retirement Fund</b>		
The salient features of the Statutory (Interim) valuation of the fund at 31 March 2006 are:		
The actuarial value of total assets of the fund was less than the actuarial value of the liabilities for the service of members to that date and for pensioners by	-140,900,000	-190,000,000
made up as follows:		
<b>For service to 31 March 2006</b>		
for pensioners - funding level 116.2% (2005 : funding level 104.1%) - surplus	63,400,000	12,900,000
for members - funding level 73.0% (2005 : funding level 69.0%)	-204,300,000	-202,900,000
The fund was thus funded	87.70%	80.50%
The fund did not hold an Investment Reserve.		
<b>For service after 31 March 2006</b>		
The total contribution rate payable, including the total surcharge of 14% payable by and on behalf of pre 01 July 2002 members and by employers, exceeded that required for future service of members' pensionable emoluments of	10.59%	12.09%
<b>Conclusion</b>		
The funding level is	87.70%	80.50%
The actuary is satisfied that the self-insurance arrangement is appropriate for the Fund, the asset composition of the Fund is appropriate to the nature of the liabilities, the contributions being paid to the Fund are sufficient to meet the expected cost of future benefits		
A study undertaken in 2002 of the expected impact that A I D S will have on the Fund shows that although the Fund is fairly well protected in relation to other funds, A I D S is likely to result in an increase in the required rate of contribution of members' pensionable emoluments by 2010 of some	4%	4%
The matter will be addressed again at a future date.		
<b>27. GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	19,480,086	
Provincial - other projects	583,141	
Provincial health subsidies	3,015,156	
State grants	13,087,235	
Total Government Grant and Subsidies	36,165,618	-
Per Statement of Financial Performance	23,078,382	
Per Statement of Net Assets	13,087,236	
	36,165,618	

**KWADUKUZA MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2006**

**Equitable share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.  
All registered indigents receive a monthly subsidy of R 48.80, which is funded from this grant.

**Provincial health subsidies**

Current year receipts - included in public health vote  
Conditions met - transferred to revenue  
Conditions still to be met - transferred to liabilities

	2006	2005
	R	R
	1,264,556	1,911,935
	2,121,567	1,911,935
	-857,011	-

The Municipality renders health services on behalf of the Provincial Government and is refunded as follows:

Surgical sundries	100%
Stores	100%
Equipment	100%
Subsistence and travel, transport and travelling	100%
Miscellaneous	100%
Personnel	Based on sliding scale

The grant has been used exclusively to fund clinic services. The conditions of the grant have not been met. There are no delays or withholding of the subsidy.

**MIG Grant**

Current year receipts  
Conditions met - transferred to revenue  
Conditions still to be met - transferred to liabilities

The grant has been used to construct roads infrastructure as part of the upgrading of informal settlement areas - no funds have been withheld

	-	-

**Provincial LED projects**

Current year receipts  
Conditions met - transferred to revenue  
Conditions still to be met - transferred to liabilities

Provincial LED projects grant is used to promote Small, medium and micro enterprises. The grant is spent in accordance with an approved business plan - no funds have been withheld

**28. BULK PURCHASES**

Electricity

	80,151,176	74,209,629
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**29. CASH**

Petty Cash  
Floats

	8,055	8,055
	3,670	3,050
	11,725	11,105

**30. BANK**

Positive (Negative) Cashbook Balance

	36,542,723	20,871,459
--	------------	------------

The above favourable balance includes R 12 749 702 which belongs to the various Housing accounts which are earmarked for Housing Development only.

**31. CAPITAL COMMITMENTS**

Commitments for capital expenditure  
Approved and contracted for  
Approved but not yet contracted for

	-	-
	196,825,304	66,851,000
	196,825,304	66,851,000

This expenditure will be financed from:

Internal sources	32,542,540	12,750,000
External sources		
National government	6,000,000	16,200,000
Provincial government	138,266,570	14,292,000
Development Bank of SA	20,016,194	23,609,000
	196,825,304	66,851,000

KWADUKUZA MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

32. EMPLOYEE RELATED COSTS

Remuneration of the Municipal manager

	2006 R	2005 R
Annual remuneration	287,142	637,010
Leave pay	-	16,807

**287,142**      **653,817**

Remuneration of the Chief financial officer

Annual remuneration and acting allowance	566,988	497,244
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**566,988**      **497,244**

Remuneration of the Executive Directors

	E D P	Technical services	Corporate services	Community services	Community safety
<b>2006</b>					
Annual remuneration	80,960	484,808	584,812	485,445	
	80,960	484,808	584,812	485,445	-
<b>2005</b>					
Annual remuneration	421,121	460,097	227,713	459,547	463,278
Leave pay	42,183		24,513		
	463,304	460,097	252,226	459,547	463,278

EMPLOYEE RELATED COSTS

Salaries and allowances	44,684,484	42,753,659
Contributions to UIF, pensions and medical aids	12,509,889	11,834,255
Travel, motor car, accommodation, subsistence and other allowances	3,956,052	3,985,295
Housing benefits and allowances	868,940	1,133,297
Overtime payments	5,583,305	4,267,375
Performance bonus	3,355,022	2,660,974
Long service awards	1,581,085	154,677
Protective clothing	365,584	300,726
Workmen's compensation	659,109	335,427
Skills development levy	548,592	540,415
Training levy	130	-
Rations	17,305	18,339
	<b>74,129,497</b>	<b>67,984,439</b>

There were no advances to employees

33. OPERATING LEASE PAYMENTS

Council has concluded operating lease agreements with its suppliers which are required to be paid in instalments as follows:

	Straight line charge	Actual liability	Actual liability
In the year ending 30 June 2006	164,161	-	164,161
In the year ending 30 June 2007	199,433	199,433	199,433
In the year ending 30 June 2008	157,181	157,181	157,181
In the year ending 30 June 2009	145,334	145,334	145,334
In the year ending 30 June 2010	96,049	96,049	96,049
In the year ending 30 June 2011	69,814	69,814	69,814
	<b>831,972</b>	<b>667,811</b>	<b>831,972</b>



KWADUKUZA MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

In accordance with International Accounting Standard 17 the straight line method should be used for lease payments charged to the Statement of Financial Performance. There is no difference between the actual charge and the straight line charge and therefore no adjustment is required to be processed.

34. CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of Generally Accepted Municipal Accounting Practice:

34.1 Statutory funds

<b>Balances previously reported</b>	
Consolidated Capital Development Fund	75,881,301
Public Improvement Fund	37,840,255
Loan Redemption Fund	40,409,620

<b>Implementation of GAMAP</b>	
Transfer to the Capital replacement reserve	-32,195,049
Transfer to the Capitalisation reserve	-35,169,243
Transfer to the Accumulated surplus	-86,740,710
Transfer to the Rate and General sundry creditors	-26,174

Amended balance at 30 June 2005	-
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34.2 Loans redeemed and other capital receipts

<b>Balances previously reported</b>	365,802,310
<b>Implementation of GAMAP</b>	
Transfer to the Government Grants reserve	-267,907,221
Transfer to the Donations and Public contributions reserve	-15,214,268
Transfer from revaluation reserve	61,851,227
Transfer to the Accumulated surplus	-144,532,048

Amended balance at 30 June 2005	-
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34.3 Property, plant and equipment

<b>Balance previously reported</b>	456,342,094
<b>Implementation of GAMAP</b>	
Infrastructure previously not recorded credited to Revaluation Reserve	95,466,307
Increase in cost to fair value	217,394,494

Amended balance at 30 June 2005	769,202,895
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34.4 Accumulated Depreciation

<b>Balance previously reported</b>	-
<b>Implementation of GAMAP</b>	
Backlog depreciation: Properties	-3,988,200
Backlog depreciation: Infrastructure	-19,606,226
Backlog depreciation: Vehicles	-6,641,314
Backlog depreciation: Civil roads	-84,405,912
Backlog depreciation: Civil storm water	-8,336,301
Backlog depreciation: Electrical	-82,516,432
Backlog depreciation: Toolbox	-3,316,026
Backlog depreciation: Housing	-44,230,433
Backlog depreciation: RDP projects	-19,023,650

<b>Total charged to Accumulated Surplus and Government Grant Reserve</b>	-272,064,494
--	--------------

34.5 Accumulated Surplus / (Deficit)

<b>Implementation of GAMAP</b>	
Balance as previously reported	6,082,377
Transfer from statutory funds	86,740,710
Transferred from Loans Redeemed and other capital receipts	144,532,048
Backlog depreciation	-227,834,061
Difference written off	-2,545,429
Write down of Revaluation Reserve	43,337,165

Amended balance at 30 June 2005	50,312,810
---------------------------------	------------

34.6 Revaluation Reserve

Infrastructure previously not recorded credited to Accumulated Surplus/(Deficit)	95,466,307
Increase in cost to fair value	217,394,494
Transfer to the Accumulated surplus	-43,337,165
Adjustment relative to assets transferred to Ilembe District Council	-61,851,227
Adjustment to fixed assets	-899,118

Amended balance at 30 June 2005	206,773,291
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**KWADUKUZA MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
<b>34.7 Government Grant Reserve</b>		
Balance previously reported	-	
Implementation of GAMAP		
Transferred from Loans Redeemed and other capital receipts	267,907,221	
Transferred from Accumulated Surplus	2,545,429	
Adjustment ex Revaluation Reserve	899,118	
Backlog depreciation: Housing	-44,230,433	
	<hr/>	
Amended balance at 30 June 2005	227,121,335	
	<hr/>	
<b>34.8 Capital replacement Reserve</b>		
Balance previously reported	-	
Implementation of GAMAP		
Transferred from Loans Redeemed and other capital receipts	32,195,049	
	<hr/>	
Amended balance at 30 June 2005	32,195,049	
	<hr/>	
<b>34.9 Capitalisation Reserve</b>		
Balance previously reported	-	
Implementation of GAMAP		
Transferred from Loans Redeemed and other capital receipts	35,169,243	
	<hr/>	
Amended balance at 30 June 2005	35,169,243	
	<hr/>	
<b>34.10 Donations and Public Contributions Reserve</b>		
Balance previously reported	-	
Implementation of GAMAP		
Transferred from Loans Redeemed and other capital receipts	15,214,268	
	<hr/>	
Amended balance at 30 June 2005	15,214,268	
	<hr/>	
<b>35. POST RETIREMENT MEDICAL BENEFITS</b>		
The Council operates a defined medical aid benefit scheme for the benefit of its permanent employees. Post-retirement medical aid benefits are offered to all employees by subsidising a portion of the medical aid contribution after retirement.		
An actuarial valuation was carried out at 30 June 2006 and the full liability has been raised which relates to retired employees and existing employees. The main assumptions used by the actuary are:		
Discount rate per annum	8.00%	
Health care cost inflation rate	6.50%	
Net effective discount rate	1.41%	
Benchmark inflation (equal to salary inflation)	6.00%	
<b>Accrued liability at 30 June 2006</b>	<hr/>	
	21,761,933	
Future - service cost	763,225	
Interest cost	1,740,955	
Expected benefits payments	-665,410	
	<hr/>	
Total annual expense	1,838,770	
<b>Projected accrued liability at 30 June 2007</b>	<hr/>	
	23,600,703	
	<hr/>	
<b>36. LONG SERVICE AWARDS AND RETIREMENT GIFTS</b>		
The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service.		
An actuarial valuation was carried out at 30 June 2006 and the full liability has been raised. The main assumptions used by the actuary are:		
Discount rate per annum	8.00%	
General salary inflation rate (long term)	6.00%	
Net effective discount rate	1.89%	
Retirement gift inflation (long term) CPI increases	5.00%	
<b>Accrued liability at 30 June 2006</b>	<hr/>	
	4,514,682	
Future - service cost	371,286	
Interest cost	361,175	
Expected benefits payments	-481,719	
	<hr/>	
Total annual expense	250,742	
<b>Projected accrued liability at 30 June 2007</b>	<hr/>	
	4,765,424	
	<hr/>	
<b>37 INTANGIBLE ASSETS</b>		
The Municipality has deviated from the accounting policy by not accounting for intangible assets as the amount involved is considered to be immaterial and is valued at		
	<hr/>	
	148,214	
	<hr/>	

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

## PROPERTY, PLANT AND EQUIPMENT

	Civil storm water	Civil roads	Vehicles	Infrastructure - Other	Properties	Investment Properties	Electrical	Toolbox	Housing	RDP Funds	Total
<b>Reconciliation of carrying value</b>											
<b>Carrying values at 01 July 2005</b>	61,368,297	42,201,282	2,524,269	66,494,508	43,681,200	8,668,800	165,021,776	2,785,335	66,345,639	38,047,294	497,138,400
Cost	69,704,598	126,607,194	9,165,583	86,100,734	47,669,400	8,668,800	247,538,208	6,101,361	110,576,072	57,070,944	769,202,894
Revaluation											
Accumulated depreciation	-8,336,301	-84,405,912	-6,641,314	-19,606,226	-3,988,200	-	-82,516,432	-3,316,026	-44,230,433	-19,023,650	-272,064,494
Cost	-8,336,301	-84,405,912	-6,641,314	-19,606,226	-3,988,200	-	-82,516,432	-3,316,026	-44,230,433	-19,023,650	-272,064,494
Revaluation											
Acquisitions	76,382	744,160	2,591,959	2,549,131			20,564,416	2,850,670	5,840,678	1,295,543	36,512,939
Increases/ (decreases) in revaluation											
Depreciation	-2,323,487	-4,220,240	-626,026	-2,659,382	-398,820	-	-8,251,274	-557,067	-2,211,521	-1,902,364	-23,150,181
Based on cost	-2,323,487	-4,220,240	-626,026	-2,659,382	-398,820	-	-8,251,274	-557,067	-2,211,521	-1,902,364	-23,150,181
Based on revaluation											
Carrying value of disposals											
Cost/ revaluation									-10,888,500		-10,888,500
Accumulated depreciation											
Impairment losses											
Other movements											
<b>Carrying values at 30 June 2006</b>	59,121,192	38,725,202	4,490,202	66,384,257	43,282,380	8,668,800	177,334,918	5,078,938	59,086,296	37,440,473	499,612,658
Cost	69,780,980	127,351,354	11,757,542	88,649,865	47,669,400	8,668,800	268,102,624	8,952,031	105,528,250	58,366,487	794,827,333
Revaluation	69,780,980	127,351,354	11,757,542	88,649,865	47,669,400	8,668,800	268,102,624	8,952,031	105,528,250	58,366,487	794,827,333
Accumulated depreciation	-10,659,788	-88,626,152	-7,267,340	-22,265,608	-4,387,020	-	-90,767,706	-3,873,093	-46,441,954	-20,926,014	-295,214,675
Cost	-10,659,788	-88,626,152	-7,267,340	-22,265,608	-4,387,020	-	-90,767,706	-3,873,093	-46,441,954	-20,926,014	-295,214,675
Revaluation											
<b>Carrying values at 30 July 2006</b>	59,121,192	38,725,202	4,490,202	66,384,257	43,282,380	8,668,800	177,334,918	5,078,938	59,086,296	37,440,473	499,612,658

**APPENDIX A**

**KWADUKUZA MUNICIPALITY**

**SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2006**

<b>EXTERNAL LOANS</b>	<b>Loan Number</b>	<b>Interest rate</b>	<b>Redeemable</b>	<b>Balance at 30/06/2005</b>	<b>Received during the Period</b>	<b>Redeemed written off during the period</b>	<b>Balance 30/06/2006</b>
<b>Long Term Loans</b>							
INCA	KWAD000001	16.00%	30/06/2011	19,000,000			19,000,000
FNB	4000006741412			1,416,451		1,416,451	-
Standard Bank	295606	Prime -1%	30/11/2007	2,900,000		1,200,000	1,700,000
First Rand Bank				8,777,000		8,777,000	-
DBSA	101276	Base rate+2.7%	30/09/2025	-	14,180,380		14,180,380
<b>Total Long Term Loans</b>				<b>32,093,451</b>	<b>14,180,380</b>	<b>11,393,451</b>	<b>34,880,380</b>
<b>Local Registered Stock</b>							
FBC Fidelity		14.30%	07/2010	19,000,000			19,000,000
ABSA	4056847537	17.00%	31/12/2015	15,000,000			15,000,000
INCA/First Norm	STAN 000001	16.90%	30/06/2011	2,006,000			2,006,000
uMlalazi Municipality	613	9.00%	31/07/2005	100,000			100,000
uMlalazi Municipality	614	10.00%	30/11/2005	500,000			500,000
uMlalazi Municipality	616	10.00%	30/04/2005	500,000			500,000
ABSA Nominees	619		31/12/2005	1,300,000		1,300,000	-
<b>Total</b>				<b>38,406,000</b>	<b>-</b>	<b>1,300,000</b>	<b>37,106,000</b>
<b>Annuity Loans</b>							
DBSA	12222/102			-14,091		-14,091	-
DBSA	12223/102			23,645		23,645	-
Umsekeli				501		501	-
Umsekeli				1,411		1,411	-
DBSA	10580/204	12.00%	30/09/2017	507,403		19,173	488,230
DBSA	11165/102	15.75%	30/09/2017	6,480,950		189,163	6,291,787
DBSA	13527/103	16.50%	30/09/2014	677,844		34,488	643,356
DBSA	11577/102	18.00%	30/12/2014	11,665		1,466	10,199
DBSA	11578/102			1,810		1,810	-
DBSA	9879/102	12.00%	30/06/2016	1,208,809		321,495	887,314
SCMB		16.68%	07/2007	2,440,806		1,057,536	1,383,270
FNB(RMB)	50619016740			756,029		756,029	-
Umgeni Water	15424k	16.00%	02/2008	535,642		183,814	351,828
<b>Total Annuity Loans</b>				<b>12,632,424</b>	<b>-</b>	<b>2,576,440</b>	<b>10,055,984</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>83,131,875</b>	<b>14,180,380</b>	<b>15,269,891</b>	<b>82,042,364</b>

**APPENDIX B**

**KWADUKUZA MUNICIPALITY**

**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2006**

	Opening Balance	Cost / Revaluation Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Accumulated Depreciation Additions	Disposals	Closing Balance	Carrying Value
Properties	47,669,400	-	-	-	47,669,400	3,988,200	398,820	-	4,387,020	43,282,380
Investment properties	8,668,800				8,668,800				-	8,668,800
Infrastructure	86,100,734	2,549,131	-	-	88,649,865	19,606,226	2,659,382	-	22,265,608	66,384,257
Vehicles	9,165,583	2,591,959	-	-	11,757,542	6,641,314	626,026	-	7,267,340	4,490,202
Civil Roads	126,607,194	744,160	-	-	127,351,354	84,405,912	4,220,240	-	88,626,152	38,725,202
Civil Storm water	69,704,598	76,382	-	-	69,780,980	8,336,301	2,323,487	-	10,659,788	59,121,192
Electrical	247,538,208	20,564,416	-	-	268,102,624	82,516,432	8,251,274	-	90,767,706	177,334,918
Toolbox	6,101,361	2,850,670	-	-	8,952,031	3,316,026	557,067	-	3,873,093	5,078,938
Housing	110,576,072	5,840,678	-	-10,888,500	105,528,250	44,230,433	2,211,521	-	46,441,954	59,086,296
RDP Funds	57,070,944	1,295,543	-	-	58,366,487	19,023,650	1,902,364	-	20,926,014	37,440,473
	769,202,894	36,512,939	-	-10,888,500	794,827,333	272,064,494	23,150,181	-	295,214,675	499,612,658

**APPENDIX C**  
**KWADUKUZA MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	Opening Balance	Cost / Revaluation		Disposals	Closing Balance	Opening Balance	Accumulated Depreciation			Carrying Value
		Additions	Under Construction				Additions	Disposals	Closing Balance	
Executive & Council	56,338,200	-	-	-	56,338,200	3,988,200	398,820	-	4,387,020	51,951,180
Planning & Development	86,100,734	2,549,131	-	-	88,649,865	19,606,226	1,960,623	-	21,566,849	67,083,016
Road Transport	205,477,375	3,412,501	-	-	208,889,876	99,383,527	7,169,753	-	106,553,280	102,336,596
Electrical	247,538,208	20,564,416	-	-	268,102,624	82,516,432	8,950,033	-	91,466,465	176,636,159
Housing	167,647,016	7,136,221	-	-10,888,500	163,894,737	63,254,083	4,113,885	-	67,367,968	96,526,769
Other	6,101,361	2,850,670	-	-	8,952,031	3,316,026	557,067	-	3,873,093	5,078,938
	769,202,894	36,512,939	-	-10,888,500	794,827,333	272,064,494	23,150,181	-	295,214,675	499,612,658

**APPENDIX D**  
**KWADUKUZA MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2006**

2005 Actual Income R	2005 Actual Expenditure R	2005 Surplus/ (Deficit) R		2006 Actual Income R	2006 Actual Expenditure R	2006 Surplus/ (Deficit) R
-7,881,841	31,720,874	-23,839,033	Executive and Council	-15,720,479	12,015,476	3,705,003
-92,369,639	29,392,695	62,976,944	Finance and Administration	-99,582,140	54,509,561	45,072,579
-5,100,059	7,771,235	-2,671,176	Planning and Development	-4,010,871	8,452,327	-4,441,456
-2,308,967	7,739,607	-5,430,640	Health	-3,049,343	7,414,162	-4,364,819
-3,845,492	8,186,723	-4,341,231	Community and Social Services	-4,414,432	9,217,609	-4,803,177
-144,087	1,030,952	-886,865	Housing	-105,358	5,276,855	-5,171,497
-4,007,739	21,321,045	-17,313,306	Public Safety	-4,658,362	23,753,252	-19,094,890
-2,507,550	15,980,487	-13,472,937	Sports and Recreation	-454,970	18,797,661	-18,342,691
-14,709,323	11,954,955	2,754,368	Waste Management	-15,533,265	13,870,216	1,663,049
-	15,735,554	-15,735,554	Road Transport	-107,218	16,507,599	-16,400,381
-118,193,458	107,143,289	11,050,169	Electricity	-131,988,023	127,163,601	4,824,422
-1,109,286	-	1,109,286	Other	-	-	-
<hr/>				<hr/>		
-252,177,441	257,977,416	-5,799,975	Sub Total	-279,624,461	296,978,319	-17,353,858
	-7,992,626	7,992,626	Less: Inter-Departmental Charges		-20,341,242	20,341,242
<hr/>				<hr/>		
<b>-252,177,441</b>	<b>249,984,790</b>	<b>2,192,651</b>	Total	<b>-279,624,461</b>	<b>276,637,077</b>	<b>2,987,384</b>
<hr/>				<hr/>		

**APPENDIX E (1)**

**KWADUKUZA MUNICIPALITY**

**ACTUAL COMPARED WITH BUDGETED REVENUE AND EXPENDITURE**

**FOR THE YEAR ENDED 30 JUNE 2006**

	Actual 2006	Budget 2006	Variance 2006	Variance 2006	Explanation of significant Variance greater than 10% versus Budget
	R	R	R	%	
<b>REVENUE</b>					
Property rates	-80,995,525	-79,800,000	-1,195,525	1.50%	
Property rates- penalties imposed and collection charges	-7,072,649	-5,700,000	-1,372,649	24.08%	Collections exceeded budgeted expectations
Service charges	-140,376,819	-134,170,077	-6,206,742	4.63%	
Rental of facilities and equipment	-702,529	-640,580	-61,949	9.67%	
Interest earned- external investments	-5,773,113	-150,000	-5,623,113	3748.74%	Credited to statutory funds 2005
Interest earned- outstanding debtors	-4,871,229	-3,700,000	-1,171,229	31.65%	Collections exceeded budgeted expectations
Fines	-4,296,212	-3,816,000	-480,212	12.58%	Collections exceeded budgeted expectations
Licences and permits	-3,897,961	-3,099,500	-798,461	25.76%	Collections exceeded budgeted expectations
Government grants and subsidies	-23,078,382	-22,183,086	-895,296	4.04%	
Other income	-8,560,042	-10,441,171	1,881,129	-18.02%	Budgeted expectations did not arise
Public contributions, donated/contributed PPE	-	-	-		
Gains on disposal of property, plant and equipment	-	-	-		
<b>Total Revenue</b>	<b>-279,624,461</b>	<b>-263,700,414</b>	<b>-15,924,047</b>	<b>6.04%</b>	
<b>EXPENDITURE</b>					
Executive & Council	12,015,476	12,154,549	-139,073	-1.14%	
Finance & Admin	54,509,562	78,042,277	-23,532,715	-30.15%	High rate of staff turnover and vacancies
Planning & Development	8,452,327	10,289,824	-1,837,497	-17.86%	High rate of staff turnover and vacancies
Health	7,414,162	8,791,960	-1,377,798	-15.67%	High rate of staff turnover and vacancies
Community & Social Services	9,217,609	10,206,278	-988,669	-9.69%	
Housing	5,276,855	1,572,190	3,704,665	235.64%	
Public Safety	23,753,252	25,325,672	-1,572,420	-6.21%	
Sport & Recreation	18,797,661	18,937,630	-139,969	-0.74%	
Waste Management	13,870,216	14,463,474	-593,258	-4.10%	
Road Transport	16,507,598	17,555,959	-1,048,361	-5.97%	
Electricity	127,163,601	124,381,351	2,782,250	2.24%	
Other	-	-	-		
Inter- departmental charges	-20,341,242	-16,349,212	-3,992,030	24.42%	
<b>Total Expenditure</b>	<b>276,637,077</b>	<b>305,371,952</b>	<b>-28,734,875</b>	<b>-9.41%</b>	
<b>NET SURPLUS/ (DEFICIT) FOR THE YEAR</b>	<b>-2,987,384</b>	<b>41,671,538</b>	<b>-44,658,922</b>	<b>-107.17%</b>	



**APPENDIX E (2)**

**KWADUKUZA MUNICIPALITY**

**ACTUAL VERSUS BUDGET - ACQUISITION OF PROPERTY PLANT AND EQUIPMENT**

**FOR THE YEAR ENDED 30 JUNE 2006**

	2006 Actual	2006 Under Construction	2006 Total Additions	2006 Budget	2006 Variance	2006 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
Executive & Council	14,804	-	14,804	15,020	216	1.44	
Finance & Admin	1,448,978	-	1,448,978	1,979,041	530,063	26.78	IT Projects rolled over
Planning & Development	185,713	-	185,713	-	-185,713	-100.00	Erroneously not budgeted for
Health	817,818	-	817,818	996,000	178,182	17.89	Unable to spend within budget year
Community & Social Services	764,135	-	764,135	3,783,283	3,019,148	79.80	Tender Complications
Housing	1,537,717	-	1,537,717	34,635,000	33,097,283	95.56	Housing asset not capitalised
Public Safety	1,138,117	-	1,138,117	1,280,000	141,883	11.08	Unable to spend within budget year
Sport & Recreation	122,340	-	122,340	400,000	277,660	69.42	Projects rolled over
Road & Storm water Drainage	9,296,131	-	9,296,131	16,411,427	7,115,296	43.36	Delay on project approval from MIG
Electricity	20,756,403	-	20,756,403	29,026,249	8,269,846	28.49	Progress slower than budgeted for
Other	430,779	-	430,779	574,000	143,221	24.95	Unable to spend within budget year
	36,512,935	-	36,512,935	89,100,020	52,587,085	59.02	

**APPENDIX F**

**KWADUKUZA MUNICIPALITY**

**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

**FOR THE YEAR ENDED 30 JUNE 2006**

**Grants and Subsidies Received**

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	reason for non-compliance
		July to Sept	Oct to Dec	Jan to Mar	April to June	July to Sept	Oct to Dec	Jan to Mar	April to June				
		1	2	3	4	1	2	3	4				
MIG		1,579,899	2,000,000	4,291,046	1,257,200		1,615,304	845,691	6,195,360	NO	N/A	YES	N/A
DME		-	1,172,748	1,827,252			870,721	507,096	1,583,512	NO	N/A	YES	N/A
IDP		-	50,000	-	-					NO	N/A	YES	N/A
PMS		-	50,000	-	-					NO	N/A	YES	N/A
INTERDEPARTMENT MONITORING GRANT		-	40,000	-	-					NO	N/A	YES	N/A
COMMUNITY DEV WORKER PROGRAM		-	72,000	-	-		18,550	18,550	18,549	NO	N/A	YES	N/A
MSIG			75,000	75,000			39,524	39,524	39,525	NO	N/A	YES	N/A
LED GRANT		105,000	8,426	4,547	5,278					NO	N/A	YES	N/A
		<u>1,684,899</u>	<u>3,468,174</u>	<u>6,197,845</u>	<u>1,262,478</u>		<u>2,544,099</u>	<u>1,410,861</u>	<u>7,836,947</u>				
					<u>12,613,396</u>				<u>11,791,906</u>				